

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 PA-01 PRS-01

SAB-01 IGA-02 /095 W

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R 140744Z MAR 76

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 4060

INFO AMEMBASSY CAIRO

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY NEW DELHI

C O N F I D E N T I A L SECTION 1 OF 2 ABU DHABI 0646

E.O. 11652: GDS

TAGS : OVIP (SIMON, WILLIAM E)

SUBJECT : VISIT OF SECRETARY SIMON--MEETINGS WITH SHAIKH ZAYED,
MIN PETROLEUM OTAIBA AND PRESS CONFERENCE

REF: (A) ABU DHABI 596 (B) ABU DHABI 592 (C) ABU DHABI 640 (NOTAL)

1. FOLLOWING GROUP DISCUSSION (REF C) , SECRETARY SIMON AND PARTY
PROCEEDED TO BATEEN PALACE FOR 45-MINUTE AUDIENCE WITH SHAIKH ZAYED.
U.S. SIDE WAS SAME AS IN GROUP MEETING. PRESENT WITH SHAIKH ZAYED
WERE MIN FINANCE HAMDAN, MIN STATE FOR FINANCE HABROUSH,
MIN STATE FOR FOREIGN AFFAIRS SAIF GHOBASH, DIRECTOR OF
PRESIDENTIAL DIWAN ALI SHURAFI, AND GHANEM MAZRU'I AND
ZAKI NUSEIBI FROM EARLIER SESSION (NUSEIBI AGAIN ACTING AS
INTERPRETER).

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2. MEETING STARTED WITH EXCHANGE OF PLEASANTRIES AND

GOOD HUMORED BANTER. SHAIKH ZAYED SAID THAT HE WELCOMED SECRETARY SIMON'S PRESENCE. HE APPRECIATED IMPORTANCE OF SECRETARY'S POSITION IN WASHINGTON, BUT THERE WAS ALSO NEED TO GET TO OTHER AREAS AND LEARN FIRST HAND, SENTIMENT WITH WHICH SECRETARY AGREED FULLY, NOTING PARTICULAR IMPORTANCE HE ATTACHED TO MIDDLE EAST. ZAYED SAID HE HAD BEEN INFORMED OF EARLIER SESSION AND THAT HE PLEASSED BY FRANKNESS OF EXCHANGE THAT HAD TAKEN PLACE, STATING THIS NECESSARY AMONG FRIENDS. SECRETARY SIMON RESPONDED THAT HE BELIEVED FRANKNESS HAD ALWAYS EXISTED IN RELATIONS BETWEEN OUR TWO COUNTRIES.

3. SECRETARY SIMON, STRESSING FOCUS OF HIS MISSION ON STRENGTHENING TRADE AND ECONOMIC COOPERATION, EXPRESSED VIEW THAT THIS CAN BE ACHIEVED THROUGH "CONSTANT MEETINGS" BOTH IN ABU DHABI AND WASHINGTON. HE WENT ON TO HIGHLIGHT INTEREST IN TECHNICAL ASSISTANCE, NOTING KENDRICK'S PRESENCE AND ARRIVAL NEXT DAY OF BERGER TEAM. SHAIKH ZAYED RESPONDED SAYING "WE NEED YOUR COOPERATION AND COUNSEL." HE STATED THAT THE BERGER TEAM MORE THAN WELCOME AND THAT THROUGH COOPERATIVE EFFORTS SUCH AS THIS TWO COUNTRIES COULD MAKE THEIR SPECIAL RELATIONSHIP EVIDENT TO ENTIRE WORLD.

4. SECRETARY SIMON THEN COMMENTED THAT HE HAD NOT BEEN AWARE OF EXTRAORDINARY EXTENT OF UAE'S GENEROSITY IN AREA OF FOREIGN ASSISTANCE. ZAYED RESPONDED THAT UAE HAD NOT ORIGINATED IDEA; THEY HAD SEEN OTHERS AID THOSE FAR AWAY FOR MANY YEARS. UAE FELT MORAL OBLIGATION TO HELP. WITH REFERENCE TO COOPERATION BETWEEN TWO COUNTRIES IN THIS EFFORT, ZAYED NOTED THAT OIL PRODUCING COUNTRIES GENERALLY COULD ONLY HELP WITH FINANCIAL AID WHILE OTHERS (E.G. U.S., UN) COULD OFFER BOTH MONEY AND TECHNICAL EXPERTISE. THUS COOPEATION PARTICULARLSC IMPORTANT AND TOGETHER "WE CAN ACHIEVE A LOT."

5. SECRETARY ASKED ZAYED FOR ASSESSMENT OF PRESIDENT SADAT'S VISIT AND ITS RELATION TO ECONOMIC PROGRESS IN THAT COUNTRY. ZAYED RESPONDED THAT BOTH EGYPT'S ECONOMIC PROBLEMS AND REASONS THEREFOR ARE EVIDENT. RE LATTER, HE CITED CONSEQUENCE OF OCTOBER WAR AND SOVIET IMPOSED DIFFICULTIES RE EQUIPMENT
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SUPPLY. RESULT WAS THAT RICHER ARAB STATES HAD TO HELP. SIMON NOTED THAT WE AGREED HELP WAS IN ORDER AND WE WERE SHARING IN THIS EFFORT. ZAYED COMMENTED THAT EGYPT SUFFERED MUCH CRITICISM BECAUSE IT HAD TURNED SO COMPLETELY TO U.S. THIS CAUSES PROBLEMS FOR EGYPT'S FRIENDS AS SOME SAY, "YOU TURNED TO U.S., NOW TAKE CARE OF YOURSELVES." SECRETARY SIMON REPLIED THAT HE COULD NOT AGREE. RATHER HE BELIEVED SADAT HAD BEEN COURAGEOUS IN BREAKING WITH SOVIETS AND WAS STRIVING FOR JUST PEACE. ZAYED'S ONLY REPLY WAS TO NOTE THAT PEACE NECESSARY FOR DEVELOPMENT, FOR STRENGTHENING ECONOMIES

IN AREA. SIMON AGREED THAT EFFORTS TOWARD PEACE AND ECONOMIC COOPERATION HAD TOPROCEED TOGETHER. ZAYED CLOSED MEETING BY NOTING THAT HE PARTICULARLY WELCOMED SECRETARY'S VISIT AS SIGN OF USG INTEREST IN AND IMPORTANCE ATTACHED TO U.S.-UAE RELATIONS. HE LOOKED FORWARD TO CONTINUING MEETINGS TO BUILD COOPERATION AND HOPED SECRETARY WOULD RETURN SOON.

6. FOLLOWING AUDIENCE, PARTY PROCEEDED TO MINISTRY OF PETROLEUM FOR MEETING WITH MINISTER MANA AL-OTAIBA. U.S. SIDE REDUCED TO SECRETARY SIMON, SEIDMAN, PARSKY AND NEWMAN, WITH AMBASSADOR AND DCM FROM EMBASSY. OTAIBA HAD MINISTRY ADVISER, ABDULLA ISMAIL; ADNOC GENERAL MANAGER HAMRA KROUHA AND SEVERAL OTHER MINISTRY OFFICIALS WITH HIM. AGAIN MEETING BEGAN WITH PLEASANTRIES, REMINISCENCES AND WITH PRESENTATION BY OTAIBA OF LOCAL DRESS TO (AND DONING THEREOF BY) SECRETARY.

7. SECRETARY SIMON RAISED QUESTION ABU DHABI'S OIL RESERVES, NOTING REPORT HE HAD SEEN THAT THEY STOOD AT 34 BILLION BARRELS AND CLOSE TO THOSE OF U.S. HE WONDERED WHY IT NOT POSSIBLE FOR ABU DHABI TO PRODUCE AT GREATER RATE. OTAIBA SAID IT NOT QUESTION OF ABILITY BUT RATHER POLICY -I.E. DESIRE TO CONSERVE COUNTRY'S ONE RESOURCE. AT MOMENT PRODUCTION CAPACITY STOOD AT ROUGHLY 2 MILLION BPD. THIS COULD BE DOUBLED IN TWO YEARS AND GO UP FURTHER TO 5 MILLION BPD, IF DESIRED. IN RESPONSE TO QUESTION OTAIBA SAID THERE WERE STILL OPEN AREAS, BUT PROSPECTS (I.E. FOR MAJOR FINDS) NOT SO GREAT. THERE WAS, HOWEVER, NEED TO EXPLORE RESOURCES BELOW LEVEL OF CURRENT WELLS (12,000-15,000 FT AVERAGE). OTAIBA ALSO MENTIONED
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ABU DHABI'S HIGH GAS RESERVES, EXCEEDED ONLY BY THOSE IN RUSSIA AND IRAN. IN SUBSEQUENT DISCUSSION, OTAIBA INDICATED THAT DISCUSSIONS RE DEVELOPMENT OF ONSHORE ASSOCIATE GAS WERE PROCEEDING AND THAT ADPC'S AMERICAN PARTNERS IN PARTICULAR WERE SHOWING MORE INTEREST. PARTICIPATING COMPANIES HAD OFFERED TAKE TEN PERCENT INTEREST, BUT OTAIBA HOPED THEY MIGHT BE PURSUADED GO HIGHER. IN ANY CASE ABU DHABI WANTED U.S. TO BE MAIN MARKET FOR THIS GAS. AMBASSADOR MENTIONED THAT PRESIDENT'S ENERGY MESSAGE (ISSUED AFTER SECRETARY SIMON LEFT WASHINGTON AND APPARENTLY NOT SEEN BY HIM PRIOR TO MEETING) HAD INDICATED WE WOULD REQUIRE ONE TRILLION CU FT BY 1985 AND THAT WE WISHED TO DIVERSIFY SOURCES. THUS, UAE SHOULD HAVE GOOD OPPROTUNITY.

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CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

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SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 PA-01 PRS-01

SAB-01 IGA-02 /095 W

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R 140744Z MAR 76

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 4061

INFO AMEMBASSY CAIRO

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C O N F I D E N T I A L FINAL SECTION OF 2 ABU DHABI 0646

8. ON QUESTION OF UAE'S GENERAL POLICY ON ENERGY MATTERS, OTAIBA REITERATED POSITION THAT GOVERNMENT NOT SEEKING 100 PERCENT TAKE OVER; THAT 60 PERCENT GAVE THEM ECONOMIC CONTROL BUT THEY WISHED FOR TIME BEING TO RETAIN EQUITY PARTNERS FOR TECHNICAL EXPERTISE--AREA WHERE ABU DHABI STILL LACKS CAPABILITY. LIKEWISE IN MARKETING THEY MOVING GRADUALLY WITH OTAIBA SAYING THAT ADNOC HAD ASKED FOR ACCESS TO MORE CRUDE IN 1976 BUT HE HAD TOLD THEM TO GO SLOW. OTAIBA SAID THAT GOVERNMENT REALIZED THAT EVEN WITH 40 PERCENT HOLDINGS OPERATING COMPANIES HAD LIMITED PROFIT MARGIN, PARTICULARLY WHEN IT CAME TO INVESTMENT FOR DEVELOPMENT. GOVERNMENT WOULD HAVE TO BE FLEXIBLE AND HELP WHEN JUSTIFIED. RE PRICES, OTAIBA SAID UAE GENERALLY SATISFIED AND DEFINITELY OPPOSED TO SHARP INCREASES. EVEN THOUGH INFLATION RATE IS HIGHER THAN 10 PERCENT INCREASE
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AGREED IN OCTOBER, OTAIBA SAID UAEG FAVORED HOLDING LINE AT LEAST UNTIL END OF 1976 TO GIVE MORE OPPORTUNITY FOR WORLD ECONOMIC RECOVERY. SECRETARY SIMON COMMENTED THAT HE THOUGHT UAEG WOULD FIND THAT IT HAD COMPANY IN THIS POSITION. FINALLY ON MATTER OF DIALOGUE WITH CONSUMING COUNTRIES, OTAIBA SAID HE BELIEVED TWO COUNTRIES POSITIONS WERE THE SAME--I.E. THAT WE WISHED HAVE SERIOUS GIVE AND TAKE AVOIDING RHETORIC. HE SAID UAE WAS PUSHING THIS LINE HARD WITHIN OPEC AND THIRD WORLD.

9. TURNING YB BILATERAL RELATIONS, OTAIBA SAID UAE NEEDED U.S. HELP IN DEVELOPMENT, PARTICULARLY IN NON-OIL AREAS. WHILE NOT BEING VERY SPECIFIC, OTAIBA MENTIONED SHIPPING AS PARTICULARLY PROMISING AREA FOR DEVELOPMENT GIVEN UAE'S SEAFARING TRADITIONS. PARSKY ASKED STATUS OF STEEL AND FERTILIZER PROJECTS WHICH HE AND OTAIBA HAD DISCUSSED DURING ASST SECTY'S LAST VISIT IN NOVEMBER 75. OTAIBA SAID INDIANS MORE INTERESTED IN FERTILIZER THAN STEEL SO ABU DHABI PLANNING PROCEED ON ITS OWN WITTM STEEL PROJECT (SEE ABU DHABI 561 FOR ADDITIONAL SOMEWHAT CONFLICTING INFORMATION). OTAIBA SAID HE HAD RECENTLY DISCUSSED FERTILIZER PROJECT WITH INDIAN PETROLEUM MINISTER BUT LITTLE HAD HAPPEND; KROUHA NOTED INDIANS WERE HAVING SOME DIFFICULTY WITH FINANCING. OTAIBA CONCLUDED BY PROMISING TO KEEP US POSTED ON DEVELOPMENT. WITH PARTY DUE AT LUNCH AT THE HILTON, MEETING ENDED ON THIS NOTE.

10. PRESS CONFERENCE--SECRETARY MET WITH PRESS AT SIX P.M. JUST PRIOR TO DEPARTURE FOR AIRPORT BY WAY OF OTAIBA'S "HOUSE." CONFUSION OVER TIMING AND LOCATION OF CONFERENCE RESULTED IN SOMEWHAT THIN TURNOUT. JOINT STATEMENT (REF B) WAS HANDED OUT AND SECRETARY SIMON REVIEWED ITS HIGHLIGHTS. MOST OF QUESTIONING DEALT NOT WITH MEETINGS HERE BUT WITH ISSUES RELATED TO ARAB-ISRAEL PROBLEM. SECRETARY SIMON STRESSED CONTINUING U.S. COMMITMENT TO PEACEFUL SOLUTION OF THAT PROBLEM, BUT STRESSED BY ASSISTANCE IN ECONOMIC DEVELOPMENT OF AREA. HE DEFENDED SAID TO ISRAEL NOTING OUR LONG STANDING RELATIONSHIP WITH THAT COUNTRY BUT OUR LIKE SUPPORT FOR MANY ARAB STATES TRYING TO HELP THEMSELVES. SECRETARY NOTED THAT WE HELP MANY AROUND WORLD AND REFUSED TO HAVE THIS POLICY GOVERNED BY ANY POLITICAL DIFFICULTIES RECIPIENTS MIGHT HAVE AMONG THEMSELVES. IN QUESTIONS RELATING TO BOYCOTT, SECRETARY CONFIDENTIAL

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NOTED FOCUS OF PRESIDENT'S STATEMENT AS OPPOSING DISCRIMINATION TOWARDS AMERICANS AND AMERICAN FIRMS ON BASIS OF RACE, RELIGION, CREED, ETC. THIS WE FELT VERY STRONGLY. WE ALSO OPPOSED BOYCOTT IMPOSED AGAINST FRIENDLY COUNTRY, BUT THIS DID NOT MEAN THAT WE WISHED TO SEE TRADE AND ECONOMIC RELATIONS CUT WITH ARABS. IN ANSWER TO QUESTION, SECRETARY SIMON NOTED

THAT HIS VISIT WAS IN NO WAY CONNECTED WITH "REAPPRAISAL" OF
MIDDLE EAST POLITICAL SITUATION, STRESSING AGAIN THAT EACH OF
HIS STOPS WAS DIRECTED AT FURTHERING ECONOMIC AND TRADE
COOPERATION IN AREA.
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